

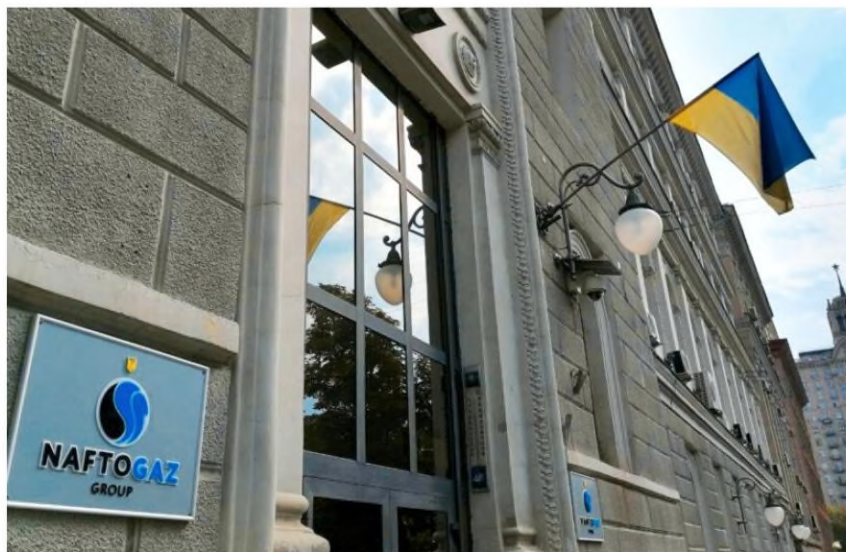
COVID-19 in numbers:

UkraineCases: **270,587**Deaths: **5,122**Recovered: **116,562****Worldwide**Cases: **38,116,701**Deaths: **1,086,575**Recovered:
28,644,528

Ukraine's Energy Challenge

Amos J. Hochstein: Naftogaz faces increasing sabotage from corrupt forces

By Amos Hochstein. Published Oct. 12. Updated Oct. 12 at 7:00 am



☐ Naftogaz headquarters on 6 Bohdan Khmelnytsky St. in Kyiv. Amos J. Hochstein, a U.S. energy expert, says that he is resigning from the supervisory board of the state-owned energy firm, citing constant sabotage by outside forces. "Unfortunately, Naftogaz management's successful efforts to create a new corporate culture, transparent mechanisms, and an adherence to international standards, was resisted at every step of the way. The company has been forced to spend endless amounts of time

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combating political pressure and efforts by oligarchs to enrich themselves through questionable transactions," Hochstein writes.

See also: [Amos Hochstein leaves Naftogaz supervisory board, warning of interference](#)

Transforming Ukraine into a successful and prosperous state free of systemic corruption is an ongoing challenge, but one worth pursuing.

Since the EuroMaidan Revolution, which ended Viktor Yanukovich's presidency on Feb. 22, 2014, the U.S. government has been an integral force in helping reform Ukraine and move the country toward democratization and full independence from Russia. I supported those efforts first as the Obama administration special envoy for international energy affairs at the U.S. State Department, and later as a supervisory board member of the state-owned energy company Naftogaz.

The company was one of many in Ukraine that had to fix its long history of corruption [fueled by Kyiv and Moscow-based politicians](#) who used it to [enrich themselves](#). The U.S. government and European Union leadership — together with the Organization for Economic Cooperation and Development, the World Bank, the International Monetary Fund, and the European Bank for Reconstruction and Development — devised a system of supervisory boards to serve as an anti-corruption and good governance oversight committee for a host of companies, including Naftogaz. I worked closely with this team to

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ensure all of these boards would be populated with independent experts and good government crusaders from multiple countries to ensure that foreign funds deployed to assist Ukraine would not be stolen by historically corrupt actors.

When fears abounded in late 2017 that Ukraine's efforts to dismantle corruption were weakening, U.S. and foreign officials encouraged me to accept the EBRD's request, and join the Naftogaz board to reinforce, and help protect, the progress that CEO Andriy Kobolyev and his team had made, and continue with additional critical reforms.

See also: [Kobolyev says Naftogaz's achievements under attack](#)

Over the last three years, we've made continued, substantial progress.

Naftogaz Group transformed from a loss-making company to a critical revenue-generator to the state budget. We brought the company into compliance with European Union regulations and completed the [unbundling of the transit system](#) in an open and transparent manner. A years-long effort to end the corrupt public-service obligation system has finally been won. Ukrainian households have finally received the right to freely choose their natural gas supplier, which they never had before.

What's more: [Naftogaz beat Russia's Gazprom](#) in the largest ever commercial arbitration worth more than \$100 billion of claims from both sides, where Naftogaz won \$5 billion. This suit was filed by Naftogaz management against the advice of

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the Ukrainian governing politicians who feared angering Moscow. It was the right decision with far-reaching consequences, both financial and geopolitical.



 *Amos J. Hochstein (L), the then-special envoy and coordinator for international energy affairs, poses for a photograph along with Greek Minister of Foreign Affairs Nikos Kotzias in Athens on May 8, 2016. Hochstein, citing pressure to return state-owned energy company Naftogaz to its corrupt ways, announced on Oct. 12, 2020, that he is resigning as a member of the Naftogaz supervisory board.*

Unfortunately, Naftogaz management's successful efforts to create a new corporate culture, transparent mechanisms, and an adherence to international standards, was resisted at every step of the way. The company has been forced to spend endless amounts of time combating political pressure and efforts by oligarchs to enrich themselves through questionable transactions.

These efforts at sabotage increased over the years as the international community experienced Ukraine-fatigue and the Trump administration no longer pursued an anti-corruption agenda. This was symbolized most

clearly and egregiously when the government of Ukraine recently negotiated and approved a memorandum of understanding with [Louisiana Natural Gas Exports](#) to supply Ukraine with U.S.-sourced liquified natural gas, while concurrently offering one of its executives, [Robert Bensch](#), a seat on the Naftogaz supervisory board.

Every part of this sordid affair represents the ills and dangers facing Ukraine as it slides back towards its past. Signing an agreement with an unworthy and questionable U.S. company while appointing its executive, a man who worked for the very same corrupt Yanukovich and (ex-Energy Minister) [Yuriy Boyko schemes](#) that the EuroMaidan Revolution sought to oust and end.

See also: [Vitrenko: Naftogaz will suffer losses as oligarchs 'feel much more comfortable'](#)

Another recent indicator that corruption is rearing its ugly head in Ukraine unfolded this week.

After finally convincing the government to cancel the public service obligations regime for households in August 2020, various [unfounded accusations](#) were leveled at Naftogaz, accompanied by the usual calls for investigations. The old tactic of using prosecutors and auditors for intimidation and retaliation is back. This distraction is precisely the reason the supervisory board has consistently supported Naftogaz using international standards and ensured regular audits by reputable firms such as Deloitte and KPMG.

See also: [Andriy Kobolyev explains agreements with Russia's Gazprom](#) and [Kobolyev outlines plan to boost production](#)

I can no longer stand by and be used to endorse this negative trend, and it's why I must voluntarily leave the board.

I do so with regret but also with pride for what has been accomplished.

Supervisory boards cannot include members whose values are not in line with the reform and good governance agenda.

Supervisory boards must continue to be independent, strengthened, and protected from undue influence.

Acting to strengthen the independence of state-owned companies, to support democratic institutions, and to empower the Ukrainian people through transparency, are not signs of weakness, they are signs of strength. The sooner the government of Ukraine internalizes this fact, the stronger Ukraine will be. Failing to do so will imperil Ukraine's quest to build a strong, democratic, and free Ukraine.

[Amos Hochstein](#) was a senior vice president of marketing at U.S.-based [Tellurian](#), a liquified natural gas firm. Before that, he served as the U.S. special envoy for international energy affairs and led the U.S. Department of State's Bureau of Energy Resources. As the U.S. "energy diplomat," Hochstein oversaw global U.S. energy foreign policy engagement and advised the secretary of

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state and the vice president of the U.S. on global energy markets. As special envoy, Hochstein led the engagement to strengthen Europe's energy security through diversification of natural gas resources; authored the White House Caribbean Energy Security Initiative; chaired the president's U.S.-Caribbean and U.S.-Central American Energy Security Task Force; led US efforts to promote global fuel switching to natural gas and develop stronger natural gas markets throughout Asia and South Asia. Working closely with the Department of Defense, Hochstein led the U.S. efforts to diminish ISIL and other terrorist groups' profits from energy assets. Prior to serving in the State Department, Hochstein served in a variety of senior-level positions on Capitol Hill and advised energy companies entering and developing new markets.

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